May 16, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F. Street N.E.
Washington, D.C. 20549

Re: File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

Research Affiliates welcomes the opportunity to respond on File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors ("Proposed Rule"). We commend the Commission for its Proposed Rule aimed at providing investors with climate-related financial information from issuers of public securities.

Research Affiliates is a global leader in factor-based and asset-allocation investment strategies. Dedicated to creating value for investors, we seek to have a profound impact on the global investment community through our insights and products. We deliver solutions in partnership with some of the world's leading financial institutions through their offerings of mutual funds, ETFs, separately managed accounts, and/or commingled accounts. As of March 31, 2022, $168 billion in assets are managed worldwide using investment strategies developed by Research Affiliates.

The Commission's Proposed Rule marks a change in the quality and comparability of climate disclosures that is essential to an efficient market response to climate change and ESG-related risks. While most companies report sustainability information in some form, the content and type of disclosures vary significantly. To better interpret and utilize climate-related information, consistent, reliable, and comparable disclosures by companies are a top priority for investors. In the absence of standardized disclosures, investors seeking climate-related information have had to collect these data from numerous sources, including companies' voluntary disclosures that are unverified and often difficult to compare.

In our research publication, Green Data or Greenwashing? Do Corporate Carbon Emissions Data Enable Investors to Mitigate Climate Change?, we examine the accuracy of modeled emissions data by third-party providers. We find that data on estimated emissions are at least 2.4 times less effective than reported data in identifying the worst emitters and provide little information to identify green companies in brown sectors. Our results debunk the belief that third-party estimated emissions are a satisfactory substitute for company-reported emissions and call for mandatory and audited carbon emissions disclosure.

Therefore, we support the SEC's Proposed Rule requiring all public companies to file climate-related financial information with the Commission, to have this information appear alongside financial information, and to present narrative and quantitative information in XBRL-tagged form. This will make climate-related financial information more useful to investors seeking to understand the risks and opportunities presented by climate change.

The Proposal's alignment with recommendations by the TCFD (Taskforce on Climate-Related Financial Disclosures) and the Greenhouse Gas Protocol ensures market efficiencies, a key focus for investors. The TCFD recommendations are widely used across the largest capital markets, with 2,600 supporters globally. Furthermore, regulators have begun mandating TCFD-aligned reporting in the UK, Brazil, EU, Hong Kong, Japan, New Zealand, Singapore, and Switzerland.

The IFRS Foundation, which sets accounting standards used in over 140 nations, recently released its own proposal for climate-related disclosures via its International Sustainability Standards Board (ISSB). The ISSB proposal similarly uses the TCFD recommendations as a baseline and has significant similarities to the SEC's proposal.

Coherence with future ISSB standards will reduce the burden of compliance on issuers as many of the largest US issuers are global companies and will likely fall under the disclosure requirements of a jurisdiction following ISSB standards. Furthermore, globally coherent disclosure requirements will lead to better comparability of data for investors.

The SEC's decision to mandate climate-related financial disclosures by US public companies will help companies prepare and plan for the transition to a low-carbon economy and protect investors and US competitiveness in the economies of the future. It is important for investors to understand how companies are managing climate risks and following through on public statements via action towards set goals. The Proposed Rule also includes safe harbor provisions for forward-looking information and Scope 3 emissions and a reporting phase-in period based on the registrant's filer status, which aims to address issuers' concerns about compliance. The Proposed Rule could also ease the burden on companies that are currently providing this information in numerous formats in response to various investor questionnaires on climate information and shareholder proposals calling for this information.

In our opinion, the Proposed Rule strikes the right balance between investors' needs for climate-related information and issuers' ability to collect and report this information.

Ari Polychronopoulos
ari@rallc.com
Head of ESG
Research Affiliates, LLC.